

Summary Report of Consolidated Business Performance
for the Second Quarter of Fiscal Year 2019
(January 1, 2019 – June 30, 2019)

HYOGO, JAPAN – August 9, 2019 - Toyo Tire Corporation (“the Company”; President & CEO: Takashi Shimizu) announces its Consolidated Business Performance for the Second Quarter of Fiscal Year 2019 (January 1, 2019 through June 30, 2019) as follows:

Quantitative information about the quarterly financial results

(1) Business Results

- Net Sales: 178,558 million yen (a decrease of 7,180 million yen or 3.9% from the same period for FY2018)
- Operating Income: 15,344 million yen (a decrease of 5,460 million yen or 26.2% from the same period for FY2018)
- Ordinary Income: 13,852 million yen (a decrease of 5,156 million yen or 27.1% from the same period for FY2018)
- Profit attributable to owners of parent: 7,521 million yen (an increase of 452 million yen or 6.4% from the same period for FY2018)

(2) Results by Business Unit

The Tire Business unit posted net sales of 155,634 million yen (a decrease of 4,411 million yen or 2.8% from the same period for FY2018) and an operating income of 16,114 million yen (a decrease of 6,555 million yen or 28.9% from the same period for FY2018).

The Automotive Parts Business unit posted net sales of 22,888 million yen (an increase of 216 million yen or 1.0% from the same period for FY2018) and an operating loss of 756 million yen (an increase of 1,083 million yen from the same period for FY2018).

(3) Status of provision of reserves for product warranties and allowance for product repairs pertaining to the company's seismic isolation rubber issue

In the fiscal year ended December 2015, some products shipped by the company did not conform to performance evaluation criteria certified by the Japan's Ministry of Land, Infrastructure, Transport and Tourism. When applying for Ministry certification for seismic isolation rubber for construction, in some cases the certification was based on applications lacking technical grounds.

For the second quarter of FY2019, the company posted an extraordinary loss of 2,331 million yen (product compensation response measure expenses of 2,135 million yen and a provision of reserves for product compensation of 195 million yen). This was because it became possible to make calculations as the situation progressed, and the company recorded 73 million yen in compensation, etc., and 831 million yen in miscellaneous charges (primarily, in payroll for the seismic isolation rubber task force, etc.).

Depending on the progress of how this is handled in the following quarter and beyond, if

future costs arise (mainly business compensation and repairs for damage such as delayed damages, expenses, etc., when repair work expenses are found to additionally exceed the reserve provisions), additional provision of reserves for product warranties may be posted, but at the present time it is difficult to reasonably estimate the amount.

(4) Explanation of financial situation

Total assets at the end of the second quarter of the consolidated accounting period were 471,132 million yen, an increase of 1,755 million yen compared to the end of the previous consolidated accounting period.

Liabilities were 261,955 million yen, a decrease of 50,170 million yen compared to the previous consolidated year-end accounting period.

Interest-bearing liabilities were 118,165 million yen, a decrease of 19,162 million yen compared to the previous consolidated year-end accounting period.

Net assets as of the end of the second quarter of the consolidated accounting period were 209,177 million yen, an increase of 51,926 million yen compared to the end of the previous consolidated accounting period.

As a result, the capital ratio increased 10.9 points, compared with the previous consolidated year-end accounting period, to 43.4%.

Consolidated Balance Sheets

(Unit: Millions of yen)

| | End of previous fiscal year December 31, 2018 | End of current fiscal year June 30, 2019 |
|--|--|---|
| Assets | | |
| Current Assets | | |
| Cash and deposits | 31,385 | 34,451 |
| Notes and accounts receivable – trade | 81,593 | 69,558 |
| Merchandise and finished goods | 58,053 | 61,448 |
| Work in process | 2,940 | 3,416 |
| Raw materials and supplies | 13,993 | 13,034 |
| Other | 15,220 | 18,618 |
| Allowance for doubtful accounts | (408) | (596) |
| Total current assets | 202,779 | 199,931 |
| Fixed Assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 54,185 | 51,980 |
| Machinery, equipment and vehicles, net | 89,726 | 85,626 |
| Other, net | 46,391 | 60,094 |
| Total property, plant and equipment | 190,303 | 197,702 |
| Intangible Assets | | |
| Goodwill | 1,317 | 1,193 |
| Other | 5,051 | 4,694 |
| Total intangible assets | 6,368 | 5,888 |
| Investments and other assets | | |
| Investment securities | 47,268 | 47,334 |
| Other | 22,763 | 20,380 |
| Allowance for doubtful accounts | (105) | (105) |
| Total investments and other assets | 69,926 | 67,610 |
| Total fixed assets | 266,597 | 271,200 |
| Total assets | 469,377 | 471,132 |

Consolidated Balance Sheets

(Unit: Millions of yen)

| | End of previous fiscal year December 31, 2018 | End of current fiscal year June 30, 2019 |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 59,576 | 43,385 |
| Commercial papers | 14,000 | — |
| Short-term loans payable | 35,137 | 29,457 |
| Accounts payable – other | 22,499 | 16,197 |
| Income taxes payable | 1,257 | 3,456 |
| Provision for product compensation | 15,946 | 8,771 |
| Other | 26,059 | 28,355 |
| Total current liabilities | 174,476 | 129,624 |
| Non-current liabilities | | |
| Long-term loans payable | 87,459 | 86,124 |
| Net defined benefit liability | 7,768 | 7,887 |
| Provision for product compensation | 29,592 | 24,870 |
| Other provision | 285 | 265 |
| Other | 12,542 | 13,182 |
| Total non-current liabilities | 137,648 | 132,330 |
| Total liabilities | 312,125 | 261,955 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 30,484 | 55,935 |
| Capital surplus | 28,507 | 53,958 |
| Retained earnings | 67,880 | 72,213 |
| Treasury stock | (152) | (152) |
| Total shareholders' equity | 126,720 | 181,953 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 21,278 | 21,332 |
| Deferred gains or losses on hedges | 9 | 1 |
| Foreign currency translation adjustments | 3,848 | 368 |
| Remeasurements of defined benefit plans | 883 | 981 |
| Total accumulated other comprehensive income | 26,018 | 22,684 |
| Non-controlling interests | 4,511 | 4,539 |
| Total net assets | 157,251 | 209,177 |
| Total liabilities and net assets | 469,377 | 471,132 |

Consolidated Statements of Income

(Unit: Millions of yen)

| | Previous fiscal year | Current fiscal year |
|--|--|--|
| | FY2018 (From January 1, 2018 to June 30, 2018) | FY2019 (From January 1, 2019 to June 30, 2019) |
| Net sales | 185,738 | 178,558 |
| Cost of sales | 120,276 | 118,618 |
| Gross profit | 65,461 | 59,939 |
| Selling, general and administrative expenses | 44,656 | 44,595 |
| Operating income | 20,805 | 15,344 |
| Non-operating income | | |
| Interest income | 215 | 242 |
| Dividends income | 860 | 867 |
| Equity in earnings of affiliates | 58 | 72 |
| Other | 849 | 1,209 |
| Total non-operating income | 1,983 | 2,391 |
| Non-operating expenses | | |
| Interest expenses | 1,318 | 1,118 |
| Foreign exchange losses | 1,373 | 980 |
| Stock issuance cost | — | 460 |
| Other | 1,085 | 1,323 |
| Total non-operating expenses | 3,778 | 3,883 |
| Ordinary income | 19,009 | 13,852 |
| Extraordinary income | | |
| Gain on sales of investment securities | 288 | 321 |
| Total extraordinary income | 288 | 321 |
| Extraordinary loss | | |
| Loss on retirement of non-current assets | 206 | 485 |
| Impairment loss | — | 404 |
| Loss on product compensation | 2,312 | 2,135 |
| Loss on provision for product compensation | 8,531 | 195 |
| Total extraordinary loss | 11,050 | 3,221 |
| Profit before income taxes | 8,247 | 10,952 |
| Income taxes | 780 | 3,055 |
| Profit | 7,466 | 7,897 |
| Profit attributable to non-controlling interests | 397 | 376 |
| Profit attributable to owners of parent | 7,068 | 7,521 |

Consolidated Statements of comprehensive income

(Unit: Millions of yen)

| | Previous fiscal year | Current fiscal year |
|---|--|--|
| | FY2018 (From January 1, 2018 to June 30, 2018) | FY2019 (From January 1, 2019 to June 30, 2019) |
| Profit | 7,466 | 7,897 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3,137) | 54 |
| Deferred gains or losses on hedges | 10 | (7) |
| Foreign currency translation adjustment | (3,294) | (3,455) |
| Remeasurements of defined benefit plans, net of tax | (115) | 62 |
| Share of other comprehensive income of associates accounted for using equity method | (77) | (23) |
| Total other comprehensive income | (6,614) | (3,369) |
| Comprehensive income | 851 | 4,527 |
| (Comprehensive income attributable to) | | |
| Owners of the parent | 802 | 4,188 |
| Comprehensive income attributable to non-controlling interests | 49 | 339 |

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

| | Previous fiscal year | Current fiscal year |
|---|--|--|
| | FY2018 (From January 1, 2018 to June 30, 2018) | FY2019 (From January 1, 2019 to June 30, 2019) |
| Cash flows from operating activities | | |
| Profit before income taxes | 8,247 | 10,952 |
| Depreciation and amortization | 12,636 | 12,761 |
| Settlement received | — | (284) |
| Increase (decrease) in net defined benefit liability | 114 | 82 |
| Interest and dividends income | (1,075) | (1,110) |
| Interest expenses | 1,318 | 1,118 |
| Foreign exchange losses (gains) | 19 | 434 |
| Stock issuance cost | — | 460 |
| Equity in (earnings) losses of affiliates | (58) | (72) |
| Loss on retirement of noncurrent assets | 206 | 485 |
| Impairment loss | — | 404 |
| Loss on product compensation | 2,312 | 2,135 |
| Loss on provision for product compensation | 8,531 | 195 |
| Decrease (increase) in notes and accounts receivable-trade | 8,672 | 10,735 |
| Decrease (increase) in inventories | (7,805) | (4,259) |
| Increase (decrease) in notes and accounts payable-trade | (2,528) | (15,580) |
| Other, net | (1,073) | (3,713) |
| Sub-total | 29,516 | 14,747 |
| Interest and dividends income received | 1,069 | 1,253 |
| Interest expenses paid | (1,336) | (1,266) |
| Settlement package received | — | 85 |
| Payments related to product compensation | (14,630) | (14,414) |
| Payments of alleged U.S. anti-trust law violation | (129) | — |
| Income taxes paid | (3,211) | (4,287) |
| Income taxes refund | 1,104 | 911 |
| Net cash provided by (used in) operating activities | 12,382 | (2,971) |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (11,345) | (19,457) |
| Proceeds from sales of property, plant and equipment | 49 | 90 |
| Additions to intangible assets | (433) | (392) |
| Additions to investments in securities | (7) | (257) |
| Proceeds from sales and redemption of investment securities | 666 | 413 |
| Other, net | 114 | 266 |
| Net cash provided by (used in) investing activities | (10,955) | (19,337) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term bank loans | (7,035) | (5,794) |
| Increase (decrease) in commercial papers | 2,000 | (14,000) |
| Proceeds from long-term debt | 15,647 | 8,322 |
| Payments of long-term debt | (6,241) | (9,115) |
| Cash dividends paid | (3,170) | (3,170) |
| Dividends paid to non-controlling interests | (361) | (312) |
| Proceeds from issuance of shares | — | 50,441 |
| Other, net | (89) | (505) |
| Net cash provided by (used in) financing activities | 748 | 25,864 |
| Effect of exchange rate change on cash and cash equivalents | (450) | (272) |
| Net Increase (decrease) in cash and cash equivalents | 1,724 | 3,283 |
| Cash and cash equivalents at beginning of the year | 27,887 | 30,467 |
| Cash and cash equivalents at end of the period | 29,611 | 33,750 |